

GMG COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2015

Table of Contents

Officials		<u>Page</u> 1
Independent Auditor's Report		2-3
Management's Discussion and Analysis		4-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Position	A	14-15
Statement of Activities	B	16-17
Governmental Fund Financial Statements:		
Balance Sheet	C	18
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	19
Statement of Revenues, Expenditures and Changes in Fund Balances	E	20-21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	22
Proprietary Fund Financial Statements:		
Statement of Net Position	G	23
Statement of Revenues, Expenses, and Changes in Fund Net Position	H	24
Statement of Cash Flows	I	25
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position	J	26
Notes to Financial Statements		27-41
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		43
Notes to Required Supplementary Information - Budgetary Reporting		44
Schedule of the District's Proportionate Share of the Net Pension Liability		45
Schedule of District Contributions		46
Notes to Required Supplementary Information - Pension Liability		47-48
Schedule of Funding Progress for the Retiree Health Plan		49
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	51
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	52
Capital Project Accounts:		
Combining Balance Sheet	3	53
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4	54
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	55
Schedule of Changes in Fiduciary Accounts - Agency Fund	6	56
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	7	57
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		58-59
Schedule of Findings and Responses		60-63

GMG COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
-------------	--------------	---------------------

Board of Education

Jim Fleming	President	2015
Darrel Burt	Vice President	2015
Kevin Bovenmyer	Board Member	2017
Patrick Cornwell	Board Member	2017
Doug Dieleman	Board Member	2015
Ann Jackson	Board Member	2017
Jackie Stonewall	Board Member	2017

School Officials

Ben Petty	Superintendent
Debra Stahl	District Secretary/Treasurer

Gary E. Horton CPA

902 Central Ave. E.-PO Box 384
Clarion, IA 50525-0384
(515)532-6681 Phone
(515) 532-2405 Fax
BETCO@mchsi.com E-mail

Independent Auditor's Report

To the Board of Education of
GMG Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of GMG Community School District, Garwin, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above presents fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of GMG Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 11 to the financial statements, GMG Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions . an Amendment to GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 43 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U. S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise GMG Community School District's basic financial statements. We previously audited, in accordance with the standards referred in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 10, 2016 on our consideration of GMG Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide and opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering GMG Community School District's internal control over financial reporting and compliance.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

June 10, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

GMG Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,649,557 in fiscal 2014 to \$4,971,411 in fiscal 2015, while General Fund expenditures increased from \$4,508,053 in fiscal 2014 to \$4,699,442 in fiscal 2015. The District's General Fund balance increased from \$822,410 in fiscal 2014 to \$1,094,379 in fiscal 2015, a 33% increase.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of GMG Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report GMG Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which GMG Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
GMG Community School District Annual Financial Report

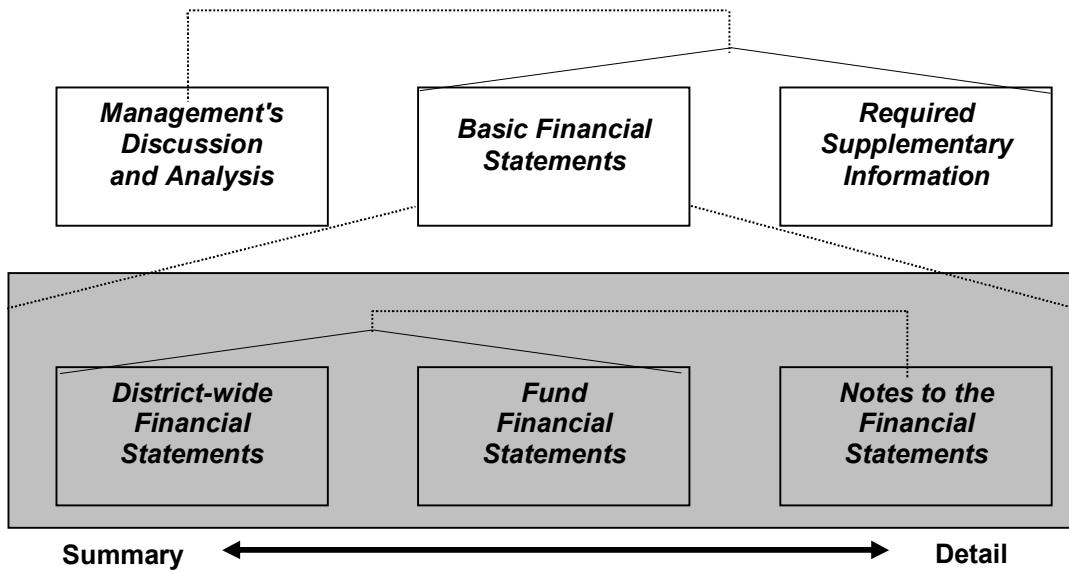


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow/ inflow information	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- **Business type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or major funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net position, a statement of revenues, expenses and changes in fund net position and a statement of cash flows.

- 3) **Fiduciary funds:** The District is the trustee, or fiduciary, for assets that belong to others. These funds include an Agency Fund.

- **Agency Funds.** These are funds through which the District administers and accounts for certain monies behalf of other entities.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

Figure A-3

	Condensed Statement of Net Position						Percentage Change
	Governmental		Business-type		Total		
	Activities		Activities		School District		
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	
	\$	\$	\$	\$	\$	\$	2014-2015 %
Current and other assets	4,885,847	4,524,160	71,776	65,562	4,957,623	4,589,722	8%
Capital assets	7,136,110	7,454,229	30,108	21,304	7,166,218	7,475,533	-4%
Total assets	12,021,957	11,978,389	101,884	86,866	12,123,841	12,065,255	1%
Deferred outflows of resources	331,125	-	12,116	-	343,241	-	100%
Long-term liabilities	6,831,054	5,614,357	63,630	5,060	6,894,684	5,619,417	23%
Other liabilities	531,857	583,125	8,655	15,204	540,512	598,329	-10%
Total liabilities	7,362,911	6,197,482	72,285	20,264	7,435,196	6,217,746	20%
Deferred inflows of resources	2,704,612	2,012,532	28,489	5,187	2,733,101	2,017,719	35%
Net Position:							
Net Investment in capital assets	2,026,110	1,969,482	30,108	21,304	2,056,218	1,990,786	3%
Restricted	1,066,556	978,973	-	-	1,066,556	978,973	9%
Unrestricted	(807,107)	819,920	(16,882)	40,111	(823,989)	860,031	-196%
TOTAL NET POSITION	2,285,559	3,768,375	13,226	61,415	2,298,785	3,829,790	-40%

The District's combined total net position decreased 40%, or \$1,531,005, from the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$87,583 or 9% over the prior year. The increase was primarily a result of pension liabilities.

Unrestricted net position . the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements . decreased \$1,684,020, or 196%. This reduction in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions . an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated

by \$2,003,334 and \$49,525, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-4

	Change in Net Position						
	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2015 \$	2014 (Not restated) \$	2015 \$	2014 (Not restated) \$	2015 \$	2014 (Not restated) \$	2014-2015 %
Revenues							
Program Revenues:							
Charges for services	1,568,349	1,455,231	125,795	128,223	1,694,144	1,583,454	7%
Operating grants & contributions	648,724	620,991	151,926	147,114	800,650	768,105	4%
Capital grants & contributions	-	-	-	-	-	-	-
General Revenues:							
Property taxes	2,018,145	2,020,402	-	-	2,018,145	2,020,402	<-1%
Income surtax	166,402	169,922	-	-	166,402	169,922	-2%
Statewide sales, service & use tax	296,413	302,621	-	-	296,413	302,621	-2%
Unrestricted state grants	1,372,047	1,211,210	-	-	1,372,047	1,211,210	13%
Unrestricted investment earnings	3,564	3,386	73	74	3,637	3,460	5%
Other revenue	188,873	-	-	-	188,873	-	100%
Total Revenues	6,262,517	5,783,763	277,794	275,411	6,540,311	6,059,174	8%
Expenses:							
Instruction	3,471,721	3,348,007	-	-	3,471,721	3,348,007	4%
Support services	1,616,111	1,389,301	-	-	1,616,111	1,389,301	16%
Non-instructional programs	-	-	252,678	266,324	252,678	266,324	-5%
Other expenditures	654,167	641,944	-	-	654,167	641,944	2%
Total expenses	5,741,999	5,379,252	252,678	266,324	5,994,677	5,645,576	6%
CHANGE IN NET POSITION	520,518	404,511	25,116	9,087	545,634	413,598	32%
Net position beginning of year, restated	1,765,041	3,363,864	(11,890)	52,328	1,753,151	3,416,192	-49%
Net position end of year	2,285,559	3,768,375	13,226	61,415	2,298,785	3,829,790	-40%

In fiscal year 2015 property tax and unrestricted state grants account for 52% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 85% of the total expenses.

As shown in figure A-4, the District as a whole experienced an 8% increase in revenues and a 7% increase in expenses. Property tax decreased \$2,257. The increase in expenses is related to salary and insurance increases. The district settled with the teacher association at less than state average and staff was also very conservative on spending during the year.

Governmental Activities

Revenues for governmental activities were \$6,262,517 and expenses were \$5,741,999. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-5

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Percent Change 2014-2015	2015	2014 (Not restated)	Percent Change 2014-2015
	\$	\$	%	\$	\$	%
Instruction	3,471,721	3,348,007	4%	1,392,042	1,414,144	-2%
Support Services	1,616,111	1,389,301	16%	1,616,111	1,382,983	17%
Other Expenses	654,167	641,944	2%	516,773	505,903	2%
TOTAL	5,741,999	5,379,252	7%	3,524,926	3,303,030	7%

For the year ended June 30, 2014

- The cost financed by users of the District's programs was \$1,568,349. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$648,724.
- The net cost of governmental activities was financed with \$2,480,960 in property and local other taxes and \$1,372,047 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$277,794 and expenses were \$252,678. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, GMG Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,181,265, above last year's ending fund balances of \$1,826,456.

Governmental Fund Highlights

- The General Fund balance increased from \$822,410 to \$1,094,379.
- The Capital Projects Fund balance increased from \$651,557 to \$719,772.

Proprietary Fund Highlights

School Nutrition Fund net position increased from \$(11,890) restated at June 30, 2014 to \$13,226 at June 30, 2015, representing an increase of 211%. The District reflected the related expenses for the net OPEB liability, which caused an overall reduction of net position.

BUDGETARY HIGHLIGHTS

The District's receipts were \$338,682 more than budgeted receipts, a variance of 6%.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. The District amended their budget one time during the year increasing budgeted expenditures by \$521,375.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$7.2 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 4% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$370,289.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change
	2015	2014	2015	2014	2015	2014	2014-2015
	\$	\$	\$	\$	\$	\$	%
Land	54,500	54,500	-	-	54,500	54,500	0%
Buildings	6,876,185	7,090,168	-	-	6,876,185	7,090,168	-3%
Equipment & furniture	205,425	309,561	30,108	21,304	235,533	330,865	-29%
TOTAL	7,136,110	7,454,229	30,108	21,304	7,166,218	7,475,533	-4%

Long-Term Debt

At June 30, 2015 the District had \$6,894,685 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of 6% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Percentage Change
	2015	2014	2014-2015
	\$	\$	%
Governmental activities:			
General obligation bonds	3,580,000	3,825,000	-6%
Revenue bonds	1,395,000	1,470,000	-5%
USDA Rural Econ. Devel. Loan	135,000	165,000	-18%
Capital leases	-	24,747	-100%
Termination benefits	24,980	12,359	102%
Net pension liability	1,554,744	2,232,412	-30%
Net OPEB liability	141,330	117,251	21%
Business type activities:			
Net pension liability	56,891	81,687	-30%
Net OPEB liability	6,740	5,060	33%
	<u>6,894,685</u>	<u>7,933,516</u>	<u>-13%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Statewide sales, services and use tax and the physical plant and equipment levy are being used for keeping the district transportation fleet updated, updating technology, and updating buildings.
- The District has experienced increasing open enrollment in over the past several years. Enrollment history since 1994 shows a significant increase from 54.2 in 1994-1995 to 198 in 2014-2015.
- Health insurance continues to be a very costly item to the District. The district will look into increasing deductibles to control the cost of premiums in the future. GMG is much better off than several other districts in the fact that employees working 30 hours or more a week already receive insurance. The impact of the Health Care Act is much less than it could be.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Deb Stahl, District Secretary/Treasurer and Business Manager, GMG Community School District, 306 Park Street, Garwin, Iowa, 50632.

BASIC FINANCIAL STATEMENTS

GMG COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2015

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash, cash equivalents and pooled investments:			
Other	2,391,915	54,867	2,446,782
Receivables:			
Property tax:			
Delinquent	20,341	-	20,341
Succeeding year	2,065,034	-	2,065,034
Accounts receivable	-	5,146	5,146
Due from other governments	408,557	-	408,557
Inventories	-	11,763	11,763
Capital assets, net of accumulated depreciation	7,136,110	30,108	7,166,218
Total assets	12,021,957	101,884	12,123,841
Deferred Outflows of Resources			
Pension related deferred outflows	331,125	12,116	343,241
Liabilities			
Accounts payable	55,613	-	55,613
Salaries and benefits payable	431,847	8,655	440,502
Accrued interest payable	44,397	-	44,397
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	265,000	-	265,000
Revenue bonds payable	75,000	-	75,000
USDA rural economic development loan	30,000	-	30,000
Termination benefits	11,530	-	11,530
Portion due after one year:			
General obligation bonds payable	3,315,000	-	3,315,000
Revenue bonds payable	1,320,000	-	1,320,000
USDA rural economic development loan	105,000	-	105,000
Termination benefits	13,450	-	13,450
Net pension liability	1,554,744	56,890	1,611,634
Net OPEB liability	141,330	6,740	148,070
Total liabilities	7,362,911	72,285	7,435,196

GMG COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2015

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Deferred Inflows of Resources:			
Unavailable property tax revenue	2,065,034	-	2,065,034
Pension related deferred inflows	639,578	23,403	662,981
Other	-	5,086	5,086
Total deferred inflows of resources	2,704,612	28,489	2,733,101
Net position			
Net investment in capital assets	2,026,110	30,108	2,056,218
Restricted for:			
Categorical funding	49,047	-	49,047
Management levy	160,474	-	160,474
Student activities	54,845	-	54,845
Physical plant and equipment levy purposes	51,965	-	51,965
School infrastructure	667,807	-	667,807
Debt service	82,418	-	82,418
Unrestricted	(807,107)	(16,882)	(823,989)
Total net position	2,285,559	13,226	2,298,785

GMG COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,190,765	1,208,044	324,313	-
Special	504,579	251,260	16,027	-
Other	776,377	109,045	170,990	-
	<u>3,471,721</u>	<u>1,568,349</u>	<u>511,330</u>	<u>-</u>
Support services:				
Student	87,018	-	-	-
Instructional staff	190,890	-	-	-
Administration	581,567	-	-	-
Operation and maintenance of plant	466,419	-	-	-
Transportation	290,217	-	-	-
	<u>1,616,111</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	86,685	-	-	-
Long-term debt interest	216,105	-	-	-
AEA flowthrough	137,394	-	137,394	-
Depreciation (unallocated)*	213,983	-	-	-
	<u>654,167</u>	<u>-</u>	<u>137,394</u>	<u>-</u>
Total governmental activities	5,741,999	1,568,349	648,724	-
Business type activities:				
Non-instructional programs:				
Food service operations	252,678	125,795	151,926	-
Total	<u>5,994,677</u>	<u>1,694,144</u>	<u>800,650</u>	<u>-</u>

General Revenues:

Property taxes levied for:	
General purposes	
Debt service	
Capital outlay	
Income surtax	
Statewide sales, services and use tax	
Unrestricted state grants	
Unrestricted investment earnings	
Other	
Total general revenues	

Change in net position

Net position beginning of year (restated)	
Net position end of year	

*This amount excludes the depreciation that is included in the direct expenses of the various programs.

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(658,408)	-	(658,408)
(237,292)	-	(237,292)
(496,342)	-	(496,342)
<u>(1,392,042)</u>	<u>-</u>	<u>(1,392,042)</u>
(87,018)	-	(87,018)
(190,890)	-	(190,890)
(581,567)	-	(581,567)
(466,419)	-	(466,419)
(290,217)	-	(290,217)
<u>(1,616,111)</u>	<u>-</u>	<u>(1,616,111)</u>
(86,685)	-	(86,685)
(216,105)	-	(216,105)
-	-	-
(213,983)	-	(213,983)
<u>(516,773)</u>	<u>-</u>	<u>(516,773)</u>
(3,524,926)	-	(3,524,926)
<u>-</u>	<u>25,043</u>	<u>25,043</u>
<u>(3,524,926)</u>	<u>25,043</u>	<u>(3,499,883)</u>
1,494,301	-	1,494,301
401,070	-	401,070
122,774	-	122,774
166,402	-	166,402
296,413	-	296,413
1,372,047	-	1,372,047
3,564	73	3,637
188,873	-	188,873
<u>4,045,444</u>	<u>73</u>	<u>4,045,517</u>
520,518	25,116	545,634
<u>1,765,041</u>	<u>(11,890)</u>	<u>1,753,151</u>
<u>2,285,559</u>	<u>13,226</u>	<u>2,298,785</u>

GMG COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2015

	General	Capital	Debt	Nonmajor	Total
	\$	Projects	Service	\$	\$
	\$	\$	\$	\$	\$
Assets					
Cash, cash equivalents and pooled investments	1,354,645	673,358	122,809	241,103	2,391,915
Receivables:					
Property tax:					
Delinquent	13,549	1,240	4,006	1,546	20,341
Succeeding year	1,308,582	127,625	395,790	233,037	2,065,034
Due from other governments	362,075	46,482	-	-	408,557
Total assets	3,038,851	848,705	522,605	475,686	4,885,847
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	51,955	1,308	-	2,350	55,613
Salaries and benefits payable	431,847	-	-	-	431,847
Total liabilities	483,802	1,308	-	2,350	487,460
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	1,308,582	127,625	395,790	233,037	2,065,034
Income surtax	152,088	-	-	-	152,088
Total deferred inflows of resources	1,460,670	127,625	395,790	233,037	2,217,122
Fund balances:					
Restricted for:					
Categorical funding	49,047	-	-	-	49,047
Debt service	-	-	126,815	-	126,815
Management levy	-	-	-	185,454	185,454
Student activities	-	-	-	54,845	54,845
School infrastructure	-	667,807	-	-	667,807
Physical plant and equipment	-	51,965	-	-	51,965
Unassigned	1,045,332	-	-	-	1,045,332
Total fund balances	1,094,379	719,772	126,815	240,299	2,181,265
Total liabilities, deferred inflows of resources and fund balances	3,038,851	848,705	522,605	475,686	4,885,847

GMG COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position

June 30, 2015

\$

Total fund balances of governmental funds (Exhibit C)	2,181,265
--	-----------

*Amounts reported for governmental activities in the
Statement of Net Position are different because:*

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	7,136,110
--	-----------

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	152,088
--	---------

Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(44,397)
--	----------

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	331,125	
Deferred inflows of resources	<u>(639,578)</u>	(308,453)

Long-term liabilities, including bonds payable, notes payable, capital leases payable, termination benefits, other post employment benefits payable and net pension liability, are not due and payable in the current year and therefore, are not reported as liabilities in the governmental funds.	<u>(6,831,054)</u>
--	--------------------

Net position of governmental activities (Exhibit A)	<u><u>2,285,559</u></u>
--	-------------------------

GMG COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2015

	General	Capital Projects	Debt Service	Nonmajor	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	1,503,972	122,774	401,070	153,081	2,180,897
Tuition	1,402,379	-	-	-	1,402,379
Other	48,679	7,768	-	117,365	173,812
State sources	1,891,306	297,215	2,589	999	2,192,109
Federal sources	125,075	-	-	-	125,075
Total revenues	<u>4,971,411</u>	<u>427,757</u>	<u>403,659</u>	<u>271,445</u>	<u>6,074,272</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,011,044	-	-	64,457	2,075,501
Special	501,779	-	-	-	501,779
Other	670,221	-	-	105,596	775,817
	<u>3,183,044</u>	<u>-</u>	<u>-</u>	<u>170,053</u>	<u>3,353,097</u>
Support services:					
Student	87,018	-	-	-	87,018
Instructional staff	180,089	9,681	-	-	189,770
Administration	537,022	41,745	-	-	578,767
Operation and maintenance of plant	359,322	25,148	-	80,829	465,299
Transportation	215,553	-	-	13,032	228,585
	<u>1,379,004</u>	<u>76,574</u>	<u>-</u>	<u>93,861</u>	<u>1,549,439</u>
Other expenditures:					
Facilities acquisition	-	86,685	-	-	86,685
Long-term debt:					
Principal	-	-	374,749	-	374,749
Interest and fiscal charges	-	-	218,099	-	218,099
AEA flowthrough	137,394	-	-	-	137,394
	<u>137,394</u>	<u>86,685</u>	<u>592,848</u>	<u>-</u>	<u>816,927</u>
Total expenditures	<u>4,699,442</u>	<u>163,259</u>	<u>592,848</u>	<u>263,914</u>	<u>5,719,463</u>
Excess (deficiency) of revenues over (under) expenditures	<u>271,969</u>	<u>264,498</u>	<u>(189,189)</u>	<u>7,531</u>	<u>354,809</u>

GMG COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2015

	General	Capital Projects	Debt Service	Nonmajor	Total
	\$	\$	\$	\$	\$
Other financing sources (uses):					
Transfers in	-	-	196,283	-	196,283
Transfers out	-	(196,283)	-	-	(196,283)
Total other financing sources (uses)	-	(196,283)	196,283	-	-
Change in fund balances	271,969	68,215	7,094	7,531	354,809
Fund balances beginning of year	822,410	651,557	119,721	232,768	1,826,456
Fund balances end of year	1,094,379	719,772	126,815	240,299	2,181,265

GMG COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds to the
Statement of Activities

Year ended June 30, 2015

	\$	\$
Change in fund balances - total governmental funds (Exhibit E)		354,809

***Amounts reported for governmental activities in the
Statement of Activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense, gain on disposal of assets, and capital outlay expenditures in the current year are as follows:

Gain on disposal of assets	44,458	
Expenditures for capital assets	2,468	
Depreciation expense	<u>(365,045)</u>	(318,119)

Income surtaxes and receivables not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.

3,650

Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

365,761

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.

1,994

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.

254,601

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Termination benefits	(12,621)	
Pension expense	(105,478)	
Other postemployment benefits	<u>(24,079)</u>	<u>(142,178)</u>

Changes in net position of governmental activities (Exhibit B)		<u><u>520,518</u></u>
---	--	-----------------------

GMG COMMUNITY SCHOOL DISTRICT

Statement of Net Position
Proprietary Fund

June 30, 2015

	Enterprise Fund
	Nonmajor School Nutrition
	\$
Assets	
Current assets:	
Cash, cash equivalents and pooled investments	54,867
Accounts receivable	5,146
Inventories	11,763
Total current assets	<u>71,776</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>30,108</u>
Total assets	<u>101,884</u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>12,116</u>
Liabilities	
Current liabilities:	
Salaries and benefits payable	8,655
Deferred revenue	5,086
Total current liabilities	<u>13,741</u>
Noncurrent liabilities:	
Net pension liability	56,890
Net OPEB liability	6,740
Total noncurrent liabilities	<u>63,630</u>
Total liabilities	<u>77,371</u>
Deferred Inflows of Resources	
Pension related deferred inflows	<u>23,403</u>
Net position	
Investment in capital assets	30,108
Unrestricted	<u>(16,882)</u>
Total net position	<u><u>13,226</u></u>

GMG COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund

Year ended June 30, 2015

	Enterprise Fund
	Nonmajor School Nutrition
	\$
Operating revenue:	
Local sources:	
Charges for service	<u>125,795</u>
Operating expenses:	
Non-instructional programs:	
Salaries	69,204
Benefits	20,481
Supplies	157,749
Depreciation	<u>5,244</u>
Total operating expenses	<u>252,678</u>
Operating income (loss)	<u>(126,883)</u>
Non-operating revenue:	
State sources	2,590
Federal sources	149,336
Interest income	73
Total non-operating revenue	<u>151,999</u>
Increase in net position	25,116
Net position beginning of year (restated)	<u>(11,890)</u>
Net position end of year	<u><u>13,226</u></u>

GMG COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2015

	Enterprise Fund
	Nonmajor School Nutrition
	\$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	124,296
Cash paid to employees for services	(99,682)
Cash paid to suppliers for goods or services	(139,123)
Net cash used by operating activities	(114,509)
Cash flows from non-capital financing activities:	
State grants received	2,590
Federal grants received	127,866
Net cash provided by non-capital financing activities	130,456
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(14,048)
Cash flows from investing activities:	
Interest on investments	73
Net increase in cash and cash equivalents	1,972
Cash and cash equivalents at beginning of year	52,895
Cash and cash equivalents at end of year	54,867
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating income (loss)	(126,883)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	21,470
Depreciation	5,244
Decrease (increase) in inventories	(2,844)
Decrease (increase) in accounts receivable	(1,398)
(Decrease) increase in salaries and benefits payable	(6,549)
(Decrease) increase in deferred revenue	(101)
Decrease in net pension liability	(24,797)
Increase in deferred outflows of resources	(3,734)
Increase in deferred inflows of resources	23,403
(Decrease) increase in other postemployment benefits	1,680
Net cash used by operating activities	(114,509)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$21,470 of federal commodities.

GMG COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2015

	<u>Agency</u>
	\$
Assets	
Cash, cash equivalents and pooled investments	15,796
Land	<u>111,650</u>
Total Assets	<u>127,446</u>
Liabilities	
Other payables	<u>127,446</u>
Net Position	<u><u>-</u></u>

GMG COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

1. Summary of Significant Accounting Policies

GMG Community School District is a political subdivision of the State of Iowa and provides public education for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Garwin and Green Mountain, Iowa and the predominately agricultural territory in a portion of Marshall and Tama Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, GMG Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The GMG Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements . Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instruction, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations, and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants, and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgements, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted, net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the district's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications . committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable . Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the

District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014, through June 30, 2015, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets . Capital assets, which include property, furniture, equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	1,000
Buildings	10,000
Improvements other than buildings	10,000
Intangibles	50,000
Furniture and equipment:	
School Nutrition Fund equipment	2,000
Other furniture and equipment	2,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Intangibles	5-10 years
Furniture and equipment	5-15 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

Deferred Outflows of Resources . Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Salaries and Benefits Payable . Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Advances from Grantors . Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

Long-term Liabilities . In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions . For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees Retirement System (IPERS) and additions to/deductions from IPERS fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources . Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivables and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity . In the governmental fund financial statements fund balances are classified as follows:

Restricted . Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned . All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures did not exceed the amended amounts budgeted.

2. **Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$562,220 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAm by Standard & Poor's Financial Services.

3. **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
		\$
Debt Service	Capital Projects	196,283

This transfer moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

4. **Capital Assets**

Capital assets activity for the year ended June 30, 2015 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	54,500	-	-	54,500
Capital assets being depreciated:				
Buildings	10,699,144	-	-	10,699,144
Furniture and equipment	1,884,760	2,468	207,746	1,679,482
Total capital assets being deprec.	12,583,904	2,468	207,746	12,378,626
Less accumulated depreciation for:				
Buildings	3,608,976	213,983	-	3,822,959
Furniture and equipment	1,575,199	151,062	252,204	1,474,057
Total accumulated depreciation	5,184,175	365,045	252,204	5,297,016

Total capital assets being depreciated, net	<u>7,399,729</u>	<u>(362,577)</u>	<u>(44,458)</u>	<u>7,081,610</u>
---	------------------	------------------	-----------------	------------------

Governmental activities capital assets, net	<u>7,454,229</u>	<u>(362,577)</u>	<u>(44,458)</u>	<u>7,136,110</u>
---	------------------	------------------	-----------------	------------------

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	165,905	14,048	-	179,953
Less accumulated depreciation	<u>144,601</u>	<u>5,244</u>	<u>-</u>	<u>149,845</u>
Business type activities capital assets, net	<u>21,304</u>	<u>8,804</u>	<u>-</u>	<u>30,108</u>

Depreciation expense was charged to the following functions:

	Amount \$
Governmental activities:	
Instruction:	
Regular	89,430
Support Services:	
Transportation	<u>61,632</u>
	151,062
Unallocated depreciation	<u>213,983</u>
Total depreciation expense . governmental activities	<u>365,045</u>
Business type activities:	
Food services	<u>5,244</u>

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	3,825,000	-	245,000	3,580,000	265,000
Revenue bonds	1,470,000	-	75,000	1,395,000	75,000
USDA Rural Econ. Devel. Loan	165,000	-	30,000	135,000	30,000
Capital leases	24,747	-	24,747	-	-
Termination benefits	12,359	81,096	68,475	24,980	11,530
Net pension liability	2,232,412	-	677,668	1,554,744	-
Net OPEB liability	<u>117,251</u>	<u>24,079</u>	<u>-</u>	<u>141,330</u>	<u>-</u>
Total	<u>7,846,769</u>	<u>105,175</u>	<u>1,120,890</u>	<u>6,831,054</u>	<u>381,530</u>

Business type activities:

Net pension liability	81,687	-	24,796	56,891	-
Net OPEB liability	5,060	1,680	-	6,740	-
	<u>86,747</u>	<u>1,680</u>	<u>24,796</u>	<u>63,631</u>	<u>-</u>
Total					

Termination Benefits

The District has approved a voluntary early retirement plan for employees. Eligible employees must have completed at least eight years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education and no more than five employees per year will be granted benefits under the policy.

Early retirement benefits are equal to 33% of the employee's regular contractual salary in effect during the employee's last year of employment, less supplemental pay or extended contract pay.

At June 30, 2015, the District has obligations to two participants with a total liability of \$24,980. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$68,475.

General Obligation Bonds

Details of the District's June 30, 2015 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of June, 2009			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2016	3.00	255,000	142,490	397,490
2017	3.20	265,000	134,840	399,840
2018	3.40	275,000	126,360	401,360
2019	3.60	285,000	117,010	402,010
2020	3.80	200,000	106,750	306,750
2021-2025	4.00-4.25	1,150,000	406,600	1,556,600
2026-2029	4.35-4.65	1,150,000	134,375	1,284,375
		<u>3,580,000</u>	<u>1,168,425</u>	<u>4,748,425</u>

Revenue Bonds

Details of the District's June 30, 2015 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April, 2009			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2016	3.50	75,000	63,732	138,732
2017	3.50	80,000	61,020	141,020
2018	4.00	85,000	57,920	142,920
2019	4.00	80,000	54,620	134,620
2020	4.50	80,000	51,220	131,220
2021-2025	4.50-5.00	455,000	194,519	649,519
2026-2030	5.00-5.10	540,000	71,217	611,217
		<u>1,395,000</u>	<u>554,248</u>	<u>1,949,248</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,700,000 bonds issued in 2009. The bonds were issued for the purpose of financing a portion of the costs of remodeling school buildings. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 60% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$1,949,248. For the current year, \$75,000 of principal and \$66,357 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$285,605.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds include the following provisions:

- \$144,620 of the proceeds from the bonds issue have been placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The reserve account is part of the District's Capital Projects Fund.
- Proceeds from the statewide sales, services and use tax shall be placed in a revenue account. Monies in the revenue account shall be transferred from the revenue account to the sinking account. Money in the sinking account shall be used to pay the interest and principal on the bonds. Any surplus monies remaining in the revenue fund, after the required transfer to the sinking account, may be used for any lawful purpose. The sinking fund is part of the Debt Service Fund.

United States Department of Agriculture Notes

The District borrowed \$300,000 through the United States Department of Agriculture (USDA) Rural Economic Development Loan Program. The loan is interest free and requires quarterly payments of \$7,500 each. Payments are to be made from the statewide sales, services and use tax. This loan will be paid as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
	\$
2016	30,000
2017	30,000
2018	30,000
2019	30,000
2020	15,000
	<u>135,000</u>

During the year ended June 30, 2015 the District made principal payments totaling \$30,000 under the note agreements.

6. Pension Plan

Plan Description . IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 nor at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits . A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a regular member's monthly IPERS benefits includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits . A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions . Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS's Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the entry age normal-actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$254,601.

Net Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions . At June 30, 2015, the District reported a liability of \$1,611,635 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined

by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.040637 percent, which was an increase of 0.000334 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$109,337. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of Resources	Deferred Inflows of Resources
	\$	\$
Differences between expected and actual experience	17,515	-
Changes in assumptions	71,125	-
Net difference between projected and actual earnings on pension plan investments	-	614,631
Change in proportion and differences between District contributions and proportionate share of contributions	-	48,350
District contributions subsequent to the measurement date	254,601	-
Total	343,241	662,981

\$254,601 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
	\$
2016	(144,244)
2017	(144,244)
2018	(144,244)
2019	(144,244)
2020	2,635
Total	(574,341)

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions . The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
	%	
US Equity	23	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100	

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
	\$	\$	\$
District proportionate share of the net pension liability	3,045,140	1,611,635	401,609

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS's website at www.ipers.org.

Payables to the Pension Plan . At June 30, 2015, the District reported no payables to the defined benefit pension plan for legally required employer contributions or for legally required employee contributions.

7. Risk Management

GMG Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

8. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$137,394 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

9. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 46 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy -The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	31,323
Interest on net OPEB obligation	3,058
Adjustment to annual required contribution	(6,622)
Annual OPEB cost	27,759
Contributions made	(2,000)
Increase in net OPEB obligation	25,759
Net OPEB obligation beginning of year	122,311
Net OPEB obligation end of year	148,070

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference

between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$2,000 to the medical plan. Plan members eligible for benefits contributed \$4,891, or 100% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
	\$	%	\$
2010	24,010	0.00	24,040
2011	24,341	0.00	48,381
2012	24,341	0.00	72,722
2013	27,152	4.59	98,627
2014	25,285	6.33	122,311
2015	27,759	7.20	148,070

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$199,564, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$199,564. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,100,000, and the ratio of the UAAL to covered payroll was 9.5%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 group annuity mortality table, projected to 2000.

The UAAL is being amortized over 30 years.

10. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

Program	Amount
	\$
Gifted and Talented	10,596
Teacher salary supplement	5,869
Early readers	12,654
Teacher leadership	2,063
Iowa core	14,210
Educator quality, professional development	3,655
	<u>49,047</u>

11. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions . an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business Type Activities
	\$	\$
Net position June 30, 2014, as previously reported	3,768,375	61,415
Net pension liability at June 30, 2014	(2,232,412)	(81,687)
Deferred outflows of resources Related to contributions made after the June 30, 2013 measurement date	<u>229,078</u>	<u>8,382</u>
Net position July 1, 2014, as restated	<u>1,765,041</u>	<u>(11,890)</u>

REQUIRED SUPPLEMENTARY INFORMATION

GMG COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses, and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2015

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	\$	\$	\$	Original	Final	\$
Revenues:						
Local sources	3,757,088	125,868	3,882,956	3,899,402	3,899,402	(16,446)
State sources	2,192,109	2,590	2,194,699	1,869,382	1,869,382	325,317
Federal sources	125,075	149,336	274,411	244,600	244,600	29,811
Total revenues	<u>6,074,272</u>	<u>277,794</u>	<u>6,352,066</u>	<u>6,013,384</u>	<u>6,013,384</u>	<u>338,682</u>
Expenditures/Expenses:						
Instruction	3,353,097	-	3,353,097	3,326,000	3,600,000	246,903
Support services	1,549,439	-	1,549,439	1,611,641	1,611,641	62,202
Non-instructional programs	-	252,678	252,678	260,000	260,000	7,322
Other expenditures	816,927	-	816,927	852,625	1,100,000	283,073
Total expenditures/expenses	<u>5,719,463</u>	<u>252,678</u>	<u>5,972,141</u>	<u>6,050,266</u>	<u>6,571,641</u>	<u>599,500</u>
Excess (deficiency) of revenue over (under) expenditures/expenses	354,809	25,116	379,925	(36,882)	(558,257)	938,182
Balance beginning of year (restated)	<u>1,826,456</u>	<u>(11,890)</u>	<u>1,814,566</u>	<u>1,482,485</u>	<u>1,482,485</u>	<u>332,081</u>
Balance end of year	<u><u>2,181,265</u></u>	<u><u>13,226</u></u>	<u><u>2,194,491</u></u>	<u><u>1,445,603</u></u>	<u><u>924,228</u></u>	<u><u>1,270,263</u></u>

GMG COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by the fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$521,375.

During the year ended June 30, 2015, expenditures did not exceed the amended amounts budgeted.

GMG COMMUNITY SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*

Required Supplementary Information

	<u>2015</u>
District's proportion of the net pension liability	0.040637%
District's proportionate share of the net pension liability	1,611,635
District's covered-employee payroll	2,851,075
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	50.53%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

GMG COMMUNITY SCHOOL DISTRICT

Schedule of District Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years
(In Thousands)

Required Supplementary Information

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Statutorily required contribution	254,601	237,460	229,181	223,366	191,402	177,403	163,364	145,876	126,503	124,076
Contributions in relation to the statutorily required contribution	<u>254,601</u>	<u>237,460</u>	<u>229,181</u>	<u>223,366</u>	<u>191,402</u>	<u>177,403</u>	<u>163,364</u>	<u>145,876</u>	<u>126,503</u>	<u>124,076</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	2,851,075	2,659,127	2,643,379	2,767,857	2,753,979	2,667,714	2,572,661	2,411,174	2,200,052	2,157,843
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

GMG COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decrease the inflation assumption from 3.25 percent to 3.00 percent.
- Decrease the assumed rate of interest on member accounts from 4.00 percent to 3.75% percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL. UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

GMG COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Pension Liability

Year ended June 30, 2015

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

Adjusted salary increase assumptions to service based assumptions.

Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.

Lowered the inflation assumption from 3.50 percent to 3.25 percent.

Lowered disability rates for sheriffs and deputies and protection occupation members.

GMG COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
2010	July 1, 2009	-	196,000	196,000	0.0%	2,762,000	7.1%
2011	July 1, 2009	-	191,000	191,000	0.0%	2,837,000	6.7%
2012	July 1, 2009	-	191,000	191,000	0.0%	1,647,000	11.6%
2013	July 1, 2012	-	229,119	229,119	0.0%	1,907,000	12.0%
2014	July 1, 2012	-	213,541	213,541	0.0%	2,010,000	10.6%
2015	July 1, 2012	-	199,564	199,564	0.0%	2,100,000	9.5%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

GMG COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2015

Assets	Special Revenue Funds		Total
	Management	Student	
	Levy	Activity	
	\$	\$	\$
Cash, cash equivalents and pooled investments	183,908	57,195	241,103
Receivables:			
Property tax:			
Delinquent	1,546	-	1,546
Succeeding year	233,037	-	233,037
Total assets	418,491	57,195	475,686
Liabilities, Deferred Inflows of Resources & Fund Balances			
Liabilities:			
Accounts payable	-	2,350	2,350
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	233,037	-	233,037
Fund balances:			
Restricted for:			
Management levy	185,454	-	185,454
Student activities	-	54,845	54,845
Total fund balances	185,454	54,845	240,299
Total liabilities, deferred inflows of resources and fund balances	418,491	57,195	475,686

GMG COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2015

	Management Levy	Student Activity	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	153,081	-	153,081
Other	8,240	109,125	117,365
State sources	999	-	999
Total revenues	<u>162,320</u>	<u>109,125</u>	<u>271,445</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	64,457	-	64,457
Other instruction	-	105,596	105,596
Support services:			
Operation and maintenance of plant services	80,829	-	80,829
Transportation services	13,032	-	13,032
Total expenditures	<u>158,318</u>	<u>105,596</u>	<u>263,914</u>
Change in fund balances	4,002	3,529	7,531
Fund balances beginning of year	<u>181,452</u>	<u>51,316</u>	<u>232,768</u>
Fund balances end of year	<u><u>185,454</u></u>	<u><u>54,845</u></u>	<u><u>240,299</u></u>

GMG COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Projects Accounts

June 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets	\$	\$	\$
Cash, cash equivalents and pooled investments	621,325	52,033	673,358
Receivables:			
Property tax:			
Delinquent	-	1,240	1,240
Succeeding year	-	127,625	127,625
Due from other governments	46,482	-	46,482
Total assets	667,807	180,898	848,705
Liabilities, Deferred Inflows of Resources & Fund Balances			
Liabilities:			
Accounts payable	-	1,308	1,308
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	127,625	127,625
Fund balances:			
Restricted for:			
School infrastructure	667,807	-	667,807
Physical plant and equipment	-	51,965	51,965
Total fund balances	667,807	51,965	719,772
Total liabilities, deferred inflows of resources and fund balances	667,807	180,898	848,705

GMG COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Project Accounts

Year ended June 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	-	122,774	122,774
Other	252	7,516	7,768
State sources	296,413	802	297,215
Total revenues	<u>296,665</u>	<u>131,092</u>	<u>427,757</u>
Expenditures:			
Current:			
Support services:			
Instructional staff services	-	9,681	9,681
Administration services	41,745	-	41,745
Operation and maintenance of plant	-	25,148	25,148
Other expenditures:			
Facilities acquisition	3,605	83,080	86,685
Total expenditures	<u>45,350</u>	<u>117,909</u>	<u>163,259</u>
Excess (deficiency) of revenues over (under) expenditures	251,315	13,183	264,498
Other financing sources (uses):			
Transfers out	<u>(196,283)</u>	<u>-</u>	<u>(196,283)</u>
Change in fund balance	55,032	13,183	68,215
Fund balances beginning of year	<u>612,775</u>	<u>38,782</u>	<u>651,557</u>
Fund balance end of year	<u><u>667,807</u></u>	<u><u>51,965</u></u>	<u><u>719,772</u></u>

GMG COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2015

<u>Account</u>	Balance Beginning of Year \$	Revenues \$	Expenditures \$	Intra-Fund Transfers \$	Balance End of Year \$
Drama	77	-	-	-	77
Vocal	337	1,175	1,150	-	362
HS cheerleading	631	5,889	4,792	-	1,728
Future teachers	178	-	-	-	178
Spanish club	57	154	-	-	211
Class of 2016	1,021	5,872	6,474	-	419
Class of 2017	474	1,028	200	-	1,302
Class of 2018	303	128	-	-	431
Class of 2019	15	562	-	-	577
Class of 2020	-	10	-	-	10
Interest	-	80	-	(80)	-
SH student council	860	6,601	6,611	-	850
JH student council	878	-	-	-	878
National honor society	872	2,379	2,039	-	1,212
Yearbook	6,232	5,974	6,689	-	5,517
Athletics	24,950	57,035	65,366	80	16,699
Dance team	1,161	1,327	1,177	-	1,311
HS SADD	170	1,961	1,880	-	251
Volleyball	81	519	-	-	600
Art	661	-	-	-	661
Elementary	9,424	5,718	2,428	-	12,714
Class of 2015	1,371	1,235	1,392	-	1,214
Weightlifting	405	9,450	3,959	-	5,896
Athletic donation Marshall county	694	2,028	1,439	-	1,283
JEL	464	-	-	-	464
Total	51,316	109,125	105,596	-	54,845

GMG COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2015

<u>Account</u>	Balance Beginning of Year	Additions	Deductions	Balance End of Year
	\$	\$	\$	\$
Kienzle Farm	126,985	14,019	13,558	127,446

GMG COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Fund Types

For the Last Ten Years

	Modified Accrual Basis									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:										
Local sources:										
Local tax	2,180,897	2,187,712	2,373,979	2,233,219	2,049,657	1,976,063	1,980,054	1,896,066	1,921,034	1,714,967
Tuition	1,402,379	1,277,642	1,073,817	1,039,039	1,108,131	978,243	984,434	910,556	823,345	715,953
Other	173,812	180,975	214,703	188,923	326,214	213,196	195,286	227,475	233,166	293,939
State sources	2,192,109	2,011,379	1,601,000	1,738,745	1,824,322	1,575,487	1,849,877	1,637,262	1,598,542	1,664,396
Federal sources	125,075	123,443	114,520	109,083	225,132	336,101	159,081	117,313	116,480	120,997
Total revenues	<u>6,074,272</u>	<u>5,781,151</u>	<u>5,378,019</u>	<u>5,309,009</u>	<u>5,533,456</u>	<u>5,079,090</u>	<u>5,168,732</u>	<u>4,788,672</u>	<u>4,692,567</u>	<u>4,510,252</u>
Expenditures:										
Instruction	3,353,097	3,258,140	2,980,493	3,188,095	3,239,205	3,223,607	3,180,244	2,840,875	2,747,632	2,591,270
Support services:										
Student services	87,018	64,261	64,537	63,891	43,976	19,623	-	1,432	-	-
Instructional staff services	189,770	98,190	117,575	183,656	181,067	122,597	121,466	121,705	135,500	105,812
Administration services	578,767	561,686	530,205	528,799	526,994	517,862	456,226	462,626	486,484	452,913
Operation and maintenance	465,299	413,834	434,122	427,361	528,031	360,622	352,688	313,784	362,544	306,398
Transportation services	228,585	345,998	315,622	248,557	256,983	223,895	305,835	224,787	227,957	229,965
Non-instructional programs	-	-	-	-	-	-	-	1	6,407	2,400
Other expenditures:										
Facilities acquisition	86,685	91,229	103,156	146,091	718,385	3,392,182	528,625	158,653	218,476	515,390
Long-term debt:										
Principal	374,749	389,497	364,498	349,498	319,749	260,000	2,791,250	209,375	204,375	160,000
Interest and other charges	218,099	228,473	237,435	246,921	263,037	269,497	127,590	134,876	143,208	152,807
AEA flowthrough	137,394	135,941	131,854	137,438	153,840	147,736	121,637	119,335	117,271	114,952
Total expenditures	<u>5,719,463</u>	<u>5,587,249</u>	<u>5,279,497</u>	<u>5,520,307</u>	<u>6,231,267</u>	<u>8,537,621</u>	<u>7,985,561</u>	<u>4,587,449</u>	<u>4,649,854</u>	<u>4,631,907</u>

Gary E. Horton CPA

902 Central Ave. E.-PO Box 384
Clarion, IA 50525-0384
(515)532-6681 Phone
(515) 532-2405 Fax
BETCO@mchsi.com E-mail

Independent Auditor's Report on Internal Control
Over Financial Reporting and on compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
GMG Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of GMG Community School District and of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 10, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered GMG Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of GMG Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of GMG Community School District's Internal Control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings and Responses as items 15-I-A, 15-I-B and 15-I-C to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether GMG Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on

compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

GMG Community School District's Responses to the Findings

GMG Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. GMG Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of GMG Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

June 10, 2016

GMG COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2015

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Significant Deficiencies:

- 15-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, processing payroll, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important that District officials are aware that the condition exists.

Recommendation: We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

- 15-I-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

GMG COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2015

Part I: Findings Related to the Financial Statements (continued):

15-I-C Signature Stamp: We noted that a stamp bearing the signature of the Board President is used to cosign checks. The board secretary, the other co-signer of the checks has access to the stamp. This practice negates the internal control procedure established by requiring two signatures on a check.

Recommendation: We recommend that this practice cease. The board may designate a person other than the board president to cosign checks. If a signature stamp is used, it should remain under the control of the person whose name the stamp bears at all times.

District Response: We will discuss methods to limit access to the signature stamp.

Conclusion: Response accepted.

GMG COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2015

Part II: Other Findings Related to Required Statutory Reporting:

- 15-II-A Certified Budget: Expenditures for the year ended June 30, 2015 did not exceed the certified budget amount.
- 15-II-B Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 15-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 15-II-D Business Transactions: No business transactions between the District and District officials or employees were noted.
- 15-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 15-II-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.
- 15-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.
- 15-II-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.
- 15-II-I Deposits and Investments: No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- 15-II-J Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.
- 15-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 15-II-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

GMG COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2015

Part II: Other Findings Related to Required Statutory Reporting (continued):

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the following information includes the amounts reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2015 audit:

	\$	\$
Beginning balance, as restated		612,775
Revenues/transfers in:		
Statewide sales, services and use tax revenue	296,413	
Other local revenues	<u>252</u>	296,665
Expenditures/transfers out:		
Equipment/infrastructure	45,350	
Transfers to debt service fund	<u>196,283</u>	<u>241,633</u>
Ending balance		<u>667,807</u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423e or 423F of the Code of Iowa.